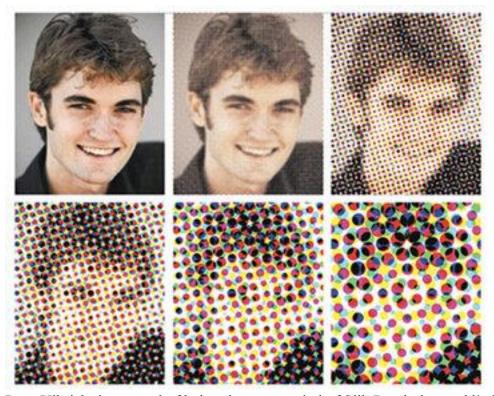
# Eagle Scout. Idealist. Drug Trafficker?

By DAVID SEGALJAN. 18, 2014 | NY Times



Ross Ulbricht is accused of being the mastermind of Silk Road, the world's largest and most notorious black market for drugs.

Ross Ulbricht's last moments as a free man were noisy enough to draw a crowd. Employees at the Glen Park branch of the San Francisco library heard a crashing sound and rushed to the science fiction section, expecting to find a patron had hit the floor. Instead, they found a handful of federal agents surrounding a slender 29-year-old man with light brown hair and wearing a T-shirt and jeans.

The goal of the arrest, at 3:15 p.m. on Oct. 1, 2013, was not simply to apprehend Mr. Ulbricht, but also to prevent him from performing the most mundane of tasks: closing his laptop. That computer, according to the F.B.I., was the command center of Silk Road, the world's largest and most notorious black market for drugs. In just two and a half years, the government says, Silk Road had become a hub for more than \$1.2 billion worth of transactions, many of them in cocaine, heroin and LSD.

The site was like an eBay for the illicit, celebrated by drug enthusiasts, denounced by United States senators and stalked by four federal agencies. But because it was run on Tor, an encrypted Internet network, and because it merely connected buyers and sellers — rather than warehousing any products — it seemed to operate in a vaporous cloud. It was a business without infrastructure, other than a few servers and that laptop, which on 3:14 that October afternoon sat on a library desk, open.



Fake ID cards that the government says were ordered by Ross Ulbricht.

The government says they were found in a package addressed to the group house where he lived in San Francisco and were intercepted by Customs and Border Protection. The United States attorney's office redacted some information on the IDs. United States Attorney's Office, Southern District of NY

Had Mr. Ulbricht seen the F.B.I. coming, and simply closed the laptop, password protections probably would have kicked in, turning the hard drive into what Nicholas Weaver, a researcher at the International Computer Science Institute, called "an encrypted lump" that would have been "tougher to break into than Fort Knox."

Whatever tactics were used — the F.B.I. would not comment — they worked. Mr. Ulbricht was administering Silk Road when he was grabbed, the bureau said in a criminal complaint, and working under an alias, Dread Pirate Roberts, the name of a swashbuckling character from the novel and film "The Princess Bride."

The government later released screen photographs showing that Mr. Ulbricht was logged into a page titled "mastermind." According to the government, operational files were found, including ledgers that tallied personal revenue of 600,000 Bitcoins, the cryptocurrency used for every Silk Road transaction, a stash that, at the time, was worth \$80 million.

A criminal complaint laid out the charges, which included narcotics trafficking, computer hacking and money laundering. An indictment in a parallel but separate investigation, run out of Baltimore, included this startling detail: Some of Dread Pirate Roberts's booty was spent to commission killings — six killings in total, to be done by hit men whose targets were deemed by Dread Pirate Roberts to threaten Silk Road.

None of the orders resulted in actual deaths, the authorities said. One, in fact, was an elaborate fiction concocted by a federal agent posing as a drug dealer. In a scene that

sounds as if it were lifted from "Breaking Bad," federal agents traveled to Utah to fake a beating and execution, sending the evidently grisly photographs to D.P.R., as the government calls him in its complaint.

"What's done is done," D.P.R. would later write to the putative dealer.

News of Mr. Ulbricht's arrest, and the particulars of the crimes with which he was charged, elicited the inevitable chorus of "They've got the wrong guy" from friends and relatives, an almost clichéd feature of double-life cases. But this chorus was different. Sure, Mr. Ulbricht took his share of drugs growing up in Austin, Tex. And a high school buddy, Thomas Haney, said he could sort of imagine Ross *buying* from Silk Road. But running it? Ordering killings? No way.

"It'd be like they accused my mother of trying to kill someone," said Mr. Haney, who now lives in Boise, Idaho. "He's one of the most guileless and nonaggressive people I've ever met."

A man who shared a house with Mr. Ulbricht in San Francisco for two months remembers how he rushed to help an elderly homeless woman in a wheelchair. "We were standing outside a restaurant, and he just handed me the leash to my dogs, ran into the street and said, 'Can I help you?' " said the man, who, like many people interviewed for this article, spoke on the condition of anonymity because he did not want his name in an article about this case. "And he didn't wait for an answer."

Far from the bloodless kingpin portrayed by the government, Ross Ulbricht, by the accounts of friends and relatives, was soulful and sensitive. In a conversation with his childhood friend Rene Pinnell, recorded in 2012 through StoryCorps, a national oral history project, and still posted on YouTube, Mr. Ulbricht said that in college he initially refused to sleep with the woman he described as his first love, for fear that he would wind up heartsick.

"We didn't have sex for like three months," he said. "But we'd make out, and really, like, get close but never go there. And when we finally did, it was amazing."

It seems nearly impossible to reconcile the government's version of Mr. Ulbricht with the warm, compassionate person that others describe. Which leaves at least three possibilities.

One, that the government has, in fact, collared the wrong man.

Two, that Mr. Ulbricht is a sociopath who concealed a dark side from everyone for years.

Three, that Mr. Ulbricht is Dread Pirate Roberts — and that the two are not really that different.

#### A Trusted Emporium

By relying on Bitcoin and an encrypted Internet network, Silk Road created an anonymous bazaar where drugs could be bought from the comfort of home. No more drives to seedy parts of town, no more face-to-face encounters with shady dealers. Instead, transactions would be conducted through the mail, and, in what many academics regard as the linchpin to the business-model innovation, Dread Pirate Roberts devised a system to ensure that nobody got fleeced.

The site acted as an intermediary, hosting the online market and holding money in escrow until buyers confirmed that products had arrived. D.P.R. would then release the payment to the seller, keeping 8 to 15 percent of the transaction.

"He had basically commoditized security," says Nicolas Christin, an assistant research professor at Carnegie Mellon University who has studied Silk Road. "It was a system that allowed people to buy drugs without fear that they would be ripped off."

"We believe in him," Ms. Ulbricht said. Erich Schlegel for The New York Times

Within months of its start in January 2011, the site was thriving. Sellers posted photographs and descriptions of their products, like "10 x 10mg OxyContin" and "5G Pure Cocaine Cristal." A guide offered tips for newcomers. Vacuum-sealed packages were recommended for anyone mailing narcotics to avoid detection by "canine or electronic sniffers," and post office boxes were urged for buyers. Reviews were posted, just like on eBay.

"Perfect stealth and perfect dope to match," gushed a customer of a merchant known as "gotsitall," who sold what was billed as high-quality heroin. "Got product in less than 24 hours! Thanks again."

A small staff was hired to respond to users and settle disputes. These employees, none of whom knew the identity of Dread Pirate Roberts, were paid between \$1,000 and \$2,000 a week in Bitcoins.

By June 2011, the site was attracting enough buzz to merit a post on Gawker, which called it "the underground website where you can buy any drug imaginable." Soon, Senators Charles E. Schumer of New York and Joe Manchin III of West Virginia were demanding that the Justice Department close Silk Road. But the site had only begun to catch on. An inventory taken by the F.B.I. one day last September found 13,000 listings for controlled substances, in categories that included opioids, psychedelics and ecstasy. A "services" section with 159 offerings included a tutorial on hacking automated teller machines. More than 800 listings offered "digital goods," such as hacked Netflix accounts, and 169 listings in "forgeries," including driver's licenses and car insurance records.

Anyone with minimal computer literacy could access this superstore of criminal mischief. Users needed only to install software for Tor, a network that hides I.P. addresses and bundles communications in layers of encryption. Type in Silk Road's ungainly address,

silkroadvb5piz3r.onion, and you entered the market. Acquire Bitcoins, through exchanges such as Mt.Gox, and you could start shopping.

#### 'Execute Rather Than Torture'

The system made D.P.R. a cybermultimillionaire. But accumulating that wealth came with its share of management migraines. One of the biggest involved an employee named Curtis Clark Green, a burly man whose colorful past includes a stint as a semipro poker player and charges of prescription fraud. From his home in Spanish Fork, Utah, the government said, he sold drugs on Silk Road under the name "chronicpain," and eventually he built enough trust with D.P.R. to become one of his lieutenants.

In early December 2012, D.P.R. needed Mr. Green for a special task. A dealer who operated under the alias "nob" had complained that Silk Road transactions were too small to be worth his time. Mr. Green was to find someone willing to play in the same league.

"Hey, I think we have a buyer for you," D.P.R. subsequently wrote to nob. "One of my staff is sending details."

Nob, however, was not a dealer. He was a member of Operation Marco Polo, a task force based in Baltimore that was named for the explorer who followed the Silk Road and that included agents from the Drug Enforcement Administration and Homeland Security Investigations. (No one from any of the investigating agencies would comment on the case.) When Mr. Green helped nob arrange the sale of a kilogram of cocaine, in early 2012, he did something that is hard to explain: he offered to act as a conduit and have the cocaine sent to his house. Mr. Green was soon arrested. He was quickly released and the kilogram was sent, as planned, to the buyer, presumably to prevent D.P.R. from realizing that one of his underlings had been caught.

Dread Pirate Roberts did somehow learn of the arrest, but he still didn't realize he was communicating with a federal agent who had arranged it. He was soon fuming to nob that Mr. Green had absconded with Bitcoins, and D.P.R. asked for help.

"I'd like him beat up, then forced to send the Bitcoins he stole back," D.P.R. wrote. "Like sit him down at his computer and make him do it." Soon, D.P.R. had a change of heart. "Can you change the order to execute rather than torture?" he asked nob, explaining, "I'm afraid he'll give up info."

Nob told D.P.R. that he knew "pros" who could get the job done. The cost was \$40,000 in Bitcoins up front, and \$40,000 after the killing.

Dread Pirate Roberts agreed to the price but wanted "proof of death," asking nob to instruct the killers to send a video, "and if they can't do that, then pictures" of the deceased.

Only the broad outlines are known of what must have been a highly cinematic dumb show of violence. What is clear from the criminal complaint is that by Feb. 21, nob sent

photos of Mr. Green doing a fine impression of a corpse. Mr. Green had "died of asphyxiation/heart rupture" while being tortured, nob explained. Dread Pirate Roberts replied that he found the images disturbing, but that he did not have any other choice.

"I just wish more people had some integrity," D.P.R. wrote.

In the months that followed, D.P.R. would pay a supposed hit man named "redandwhite" \$150,000 in Bitcoins to whack a blackmailer who was threatening to release the identities of Silk Road users, and later a seller who appears to have scammed buyers en masse. When redandwhite noted that the scammer lived with three roommates, D.P.R. was persuaded to kill all four of them, at a cost of \$500,000.

The government contends that the whole enterprise was likely a swindle. Whether these targets were in cahoots with redandwhite, or were the creation of redandwhite, is not clear. But authorities in Canada, where all five killings were supposed to have taken place, found no trace of crimes that matched redandwhite's descriptions, according to federal prosecutors.

Nonetheless, D.P.R.'s willingness to underwrite killings would become an argument against bail, which was presented in November by prosecutors in the Southern District of New York, where Ross Ulbricht was transferred soon after his arrest. (The F.B.I. ran its case out of Manhattan.) Today, Mr. Ulbricht awaits trial in the Metropolitan Detention Center in Brooklyn.



# The Forgiving Kind

Lyn Ulbricht, Mr. Ulbricht's mother, sat one recent morning in the downtown Manhattan office of her son's lawyer. She had flown in from Austin a few days earlier, to look for a place where she and her husband could live to be close to their son.

"I can't be somewhere else while he's in jail," she said.
"We want to visit him. We believe in him, so that's what we're going to do."

Ross Ulbricht grew up in a suburb of Austin that his mother described as the poorest neighborhood in a good school district. She and her husband, Kirk, earn most of their income renting four beachside vacation houses they

own in Costa Rica. Ross is remembered by friends as bright, though not whiz-kid bright, part of a circle that mostly avoided the football culture that dominated high school.

"He was outdoorsy," said James McFarland, who met Mr. Ulbricht in a physics class. "We played a lot of ultimate Frisbee, hiking, swimming, that sort of thing."

Mr. McFarland and others say he was shy around girls, sweet-natured, loyal to friends and a fan of intense philosophical conversations. He was also an unusual combination of rule follower and rule breaker. He did a lot of drugs, as he explained in that StoryCorps conversation, likening his intake to a guy who jumped into the deep end of a pool and stayed underwater for as long as he could hold his breath. At the same time, he collected enough merit badges to become that emblem of teenage all-Americanness, an Eagle Scout.

By the time he went to the University of Texas at Dallas, on a full academic scholarship, he was 6-foot-2, a lean, good-looking guy who could have fronted an indie rock band. But he was the opposite of a Lothario. He was vulnerable and eager to find a soul mate, and fell hard for that college girlfriend. The two were engaged, according to Thomas Haney, but it ended when Ross learned that she had cheated with one of his closest buddies.

"I'd have killed the guy, but Ross completely forgave him within a year of it happening," Mr. Haney said. That was Ross's style, not just willing to forgive, but empathetic to the point of mushy. At a bachelor party held in the woods two years ago for a friend named Daniel, Mr. Haney said, everyone was sitting around, kind of stumped about what to do.

"Then Ross pipes up," Mr. Haney said, "and he said, 'Let's go around in a circle and say why we love Daniel.'

After graduating in 2006 with a degree in physics, Mr. Ulbricht headed to Penn State, where he earned a master's degree in material sciences and engineering. His <u>thesis</u>, "Growth of EuO Thin Films by Molecular Beam Epitaxy," is still available at the school's online archives.

He later returned to Austin and was a co-founder of Good Wagon Books, which collected used books from around the city and sold them online, donating 10 percent of profits to charities. But the venture failed, and Mr. Ulbricht started what he described to acquaintances as a hedge fund, trading stocks and currencies, including Bitcoin. Friends had the impression that it was not going well, especially after other people started to give him money to invest, which made him overly cautious.

At the invitation of Mr. Pinnell, Mr. Ulbricht relocated to San Francisco in 2012. When Mr. Pinnell became engaged, Mr. Ulbricht moved into a group house, where he told roommates that his name was Joshua Terrey, according to an <u>article</u> in Forbes. In August, two months before he was arrested, he abruptly left that house for another, without explanation.

His new accommodations were hardly those of a drug lord. He paid \$1,100 a month for a 12-by-14-foot room, sharing a house with three roommates. One of those roommates said that they knew him by his real name and that he told them he earned a living by building and managing websites.

Nothing about him seemed out of the ordinary, until he was arrested. That day, his roommates returned to their house to find a search warrant left by the F.B.I. on the coffee table in the living room.

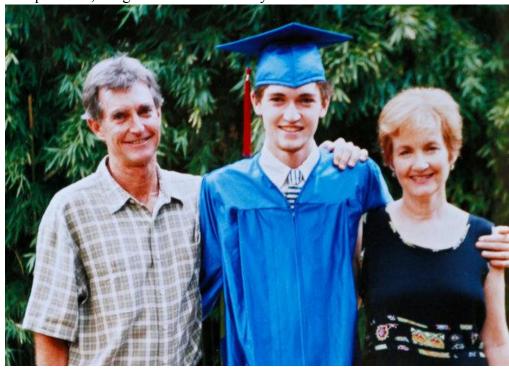
"The F.B.I. came back a bunch of times and asked questions for hours," the roommate said. "We were in shock. It really was about a week before I felt normal."

### Nine Fake IDs

How did the F.B.I. connect Dread Pirate Roberts to Ross Ulbricht? That is still a mystery. Mr. Ulbricht certainly left more than a few digital crumbs, according to the government's complaint and a variety of online rubberneckers who followed the case. The first mention of Silk Road online, in January 2011, by someone called "altoid," was followed a few months later by a user with the same alias on a Bitcoin Talk forum. This person was searching for an I.T. pro for hire. Applicants were asked to email "rossulbricht at gmail dot com."

But this was only enough to make Mr. Ulbricht a person of interest. In July 2013, Customs and Border Protection intercepted a package from Canada bound for his address. The package contained <u>nine fake IDs</u>, each bearing a photograph of Mr. Ulbricht and a different name, with addresses in a variety of states and countries.

On July 26, agents of Homeland Security Investigations knocked on the door of Mr. Ulbricht's group house. "Josh," as he then was calling himself, refused to answer most of the agents' questions, the government would say later.



Though Mr. Ulbricht did not take the opportunity to skedaddle, he apparently had considered it. The government would say later that his laptop contained a filled-out application for "economic citizenship" in Dominica, a Caribbean island. The price was a one-time donation of \$75,000 to the country's government.

The crucial breakthrough in the case occurred a few weeks after that fake ID package was intercepted. The F.B.I. located and copied the contents of Silk Road's main servers, the computers that powered the site's operations and stored its data.

It is here that the government's otherwise detailed account gets fuzzy. The F.B.I. has stated only that the main server was found in "a certain foreign country," one that has a mutual legal assistance treaty with the United States. Through the treaty, the F.B.I. was given a copy of the server — a "mirror" of it, in tech terms — on July 23. The site continued to operate, so D.P.R. would not be spooked.

What is unclear is how the feds knew where the servers were. Presumably, they were rented in some faraway corners of the globe — Iceland, Latvia and Romania are likely, according to experts who have studied the I.P. addresses. But the official vagueness has provoked speculation in academic circles and among security specialists. Was the National Security Agency involved? Did this process involve breaking laws, or violating constitutional rights?

That issue will be at the heart of Ross Ulbricht's defense strategy, says Joshua L. Dratel, his lawyer, whose clients include a Guantánamo detainee. "It's called the fruit-of-the-poisonous-tree doctrine," Mr. Dratel explained. "If you think of the acquisitions of evidence as a chain, if you find one bad link, everything on the other side of that link is suppressible."

In other words, if Mr. Dratel can prove that the government acted improperly when it found and copied that server, all the evidence it gathered after that — including the laptop taken in that Oct. 1 arrest — could be tossed out of court.

Mr. Dratel said he would also argue that Mr. Ulbricht is not Dread Pirate Roberts. But that contention could be hard to square with a <u>sworn statement</u> by Mr. Ulbricht, filed with the court Dec. 12. It says the Bitcoins seized from the laptop should be returned to him, because he "has an interest as an owner/possessor" of the money.

This seems a tricky needle for Mr. Ulbricht to thread. He is denying that he is Dread Pirate Roberts but demanding what the government maintains is D.P.R.'s money. How did Mr. Ulbricht earn millions in virtual dollars, if not through Silk Road commissions?

Mr. Dratel declined to say, citing a reluctance to discuss the facts of the case.

### 'A Revolution of Epic Proportions'

The 2012 StoryCorps video ends with Rene Pinnell asking where Mr. Ulbricht hopes to be in 20 years.

"Twenty years, uh," says Mr. Ulbricht, tugging at his facial hair and looking sideways. After a pause, he looks directly at Mr. Pinnell and says, "I want to have had a substantial positive impact on the future of humanity by that time."

Mr. Pinnell laughs, because that sounds so ambitious that it initially comes across as a joke. But Mr. Ulbricht isn't laughing.

"Do you think you're going to live forever?" Mr. Pinnell asks, getting serious.

"I think it's a possibility," says Mr. Ulbricht, allowing a grin.

Again, his friend chuckles.

"I honestly do," Mr. Ulbricht says with a smile. "I think I might live forever in some form, by that time. I mean technology is changing so fast."

Mr. Pinnell does not pose the obvious follow-up — what are you *talking* about? How exactly do you plan to transition from day trader-with-a-laptop to historical figure? None of Mr. Ulbricht's friends, it seems, had an answer for that one, perhaps because they didn't know enough about his interior life.

Most grasped that he'd long been a searcher, a restless mind rummaging around for a philosophy. For years, he was fascinated by Eastern mysticism, and briefly was an advocate of the Landmark Forum, a three-day seminar intended to give participants "the power to make what you're committed to into a reality," as the company's website says.

What few friends realized is where his philosophical quest had brought him. At Penn State, he was becoming a dedicated libertarian. He joined the school's Libertarian Club and wore a Ron Paul for President shirt to classes. Mr. Ulbricht was quoted in the school's newspaper, The Daily Collegian, saying of Mr. Paul, "there's a lot to learn from him and his message of what it means to be a U.S. citizen and what it means to be a free individual."

By the time Mr. Ulbricht left Penn State, his views had taken on a vehemently anti-tax tone. A friend in Austin said Mr. Ulbricht's politics at the time were more "hard core" than his own.

"I'd say 'Less government but we need the government to build roads,' "this friend said. "But for him, even when it came to building roads, he felt there ought to be a voluntary basis for that. The point for him wasn't to abolish government. He just thought people should have the ability to opt out of paying taxes."

These views weren't a secret. Not long after graduating from Penn State, he wrote on his LinkedIn page that his interest in physics had waned.

"Now, my goals have shifted," he wrote. "I want to use economic theory as a means to abolish the use of coercion and aggression amongst mankind."

Institutions and government were the problem, he continued. Which is why he was "creating an economic simulation to give people a firsthand experience of what it would be like to live in a world without the systemic use of force."

Was Silk Road that economic simulation? Without question, Dread Pirate Roberts considered the site a means to "abolish the use of coercion." He routinely proclaimed so, in postings that sound like a mash-up of manifesto and infomercial.

"I walk tall, proud and free, knowing that the actions I take eat away at the infrastructure that keeps oppression alive," D.P.R. wrote on Silk Road in March 2012. "Now it is profitable to throw off one's chains, with amazing crypto technology reducing the risk of doing so dramatically. How many niches have yet to be filled in the world of anonymous online markets? The opportunity to prosper and take part in a revolution of epic proportions is at our fingertips!"

Dread Pirate Roberts considered his work epochal because he was not just promoting the sale of illicit goods. He was reimagining the fundamentals of commerce.

For centuries, consumers have been taxed by governments or overlords of one type or another, rendering unto Caesar for as long as there have been Caesars. But if Silk Road were scalable, that era was over. Or at least imperiled. Anyone would have the option to sell goods undisturbed by regulations and without sharing a percentage of revenue with the state. And why stop at drugs? The system would work for legal products, too. The tools are there for a kind of subterranean Amazon.com.

"It could literally change the world as we know it," D.P.R. wrote of Silk Road in an online exhortation

A man who created a website that changed the world as we know it could believe he had a chance to live forever. At minimum, he could be a hero to anyone who thinks that government has no business in business.

Ross Ulbricht and Dread Pirate Roberts have other similarities, including a fondness for the <u>Ludwig von Mises Institute</u>, part of the Austrian School of Economics, which was celebrated by Mr. Ulbricht on his Google+ page and by D.P.R. in Silk Road pep talks.

This could be a coincidence. It could also be a coincidence that neither man nor pseudonym seemed motivated by greed. Mr. Ulbricht's lifestyle was one notch above that of urban couch surfer. And the primary goal that D.P.R. professed was to unshackle humanity from what he regarded as economic tyranny. If a handful of miscreants — and yes, a few of their unfortunate roommates — were killed along the way, that is a shame. But Silk Road was like a tunnel under the gulag, and D.P.R. was digging for the sake of humanity.

"It needs everything we have," D.P.R. wrote of Silk Road, urging buyers and sellers to grasp its significance. "Do it for me, do it for yourself, do it for your families and friends, and do it for mankind."

Perhaps this is where Dread Pirate Roberts, the criminal mastermind, overlaps with Ross Ulbricht, the guy who aided a homeless woman in a wheelchair. With aching sincerity, they both really wanted to help.

#### **Roads Closed?**

The success of Silk Road raised the prospect that the thuggish street drug dealer, the stock character of countless police procedurals, could be replaced by a geek in a coffee shop with a laptop. But in the months since Silk Road was shut down, several sites have tried to takes its place and all have failed.

One of them, called the Sheep Marketplace, went dark in December, as users howled that administrators had made off with as much as \$44 million in Bitcoins. Project: Black Flag lasted a few weeks in October, before its leader announced, "I was unable to cope with the stress and constant demand, so I panicked." Metta Dread Pirate Roberts, as that site's fearful leader was known, then absconded with an unknown sum of Bitcoins, according to news reports.

"I suspect that the online drug marketplace is a passing fad because it's too traceable, too vulnerable to hacking," said Mr. Weaver at the International Computer Science Institute. Once Bitcoins are converted to another currency, the government can subpoena the records of the exchange where the transaction took place and harvest all the information it needs. "Bitcoin isn't really a 'coin' as much as a distributed, public balance ledger," Mr. Weaver added, "with every balance and transaction recorded."

Hence Bitcoin's wry new nickname in legal circles: "Prosecution Futures." The government has begun making arrests: Olivia Bolles, a Delaware doctor, was charged in November with selling oxycodone, Xanax and other drugs on Silk Road, stuffing Sour Patch and Jolly Rancher candy in the packages to thwart detection.

But the limits of technology are only part of the reason that another Silk Road is unlikely anytime soon. To function, such a site needs a leader who is dedicated to the point of fanaticism, and, more important, has a strange kind of integrity. Dread Pirate Roberts did not take the Bitcoin and run because he was a true believer first and an outlaw second. He was a rare set of contradictions, a humanitarian willing to kill, a criminal with a strict code of ethics.

# Directions:

- 1. Annotate well.
- 2. In a reflection that is at least one page in length, reflect on the following:
  - What is a sociopath? Is Ulbricht a sociopath? Is Macbeth a sociopath?
  - What drove Ulbricht? What drives Macbeth?
  - What does a criminal look like?
  - What is Bitcoin?
  - What other thoughts do you have or connections can you make?